

House File 538 - Introduced

HOUSE FILE _____
BY COMMITTEE ON VETERANS AFFAIRS
(SUCCESSOR TO HF 300)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act concerning the licensure, operation, and taxation of card
2 game tournaments by organizations representing veterans.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1815HV 82
5 ec/es/88

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1 1 Section 1. NEW SECTION. 99B.7B CARD GAME TOURNAMENTS
1 2 CONDUCTED BY QUALIFIED ORGANIZATIONS REPRESENTING VETERANS.
1 3 1. As used in this section, unless the context otherwise
1 4 requires:
1 5 a. "Card game" means only poker, pinochle, pitch, gin
1 6 rummy, bridge, euchre, hearts, or cribbage.
1 7 b. "Qualified organization representing veterans" means
1 8 any licensed organization representing veterans, which is a
1 9 post, branch, or chapter of a national association of veterans
1 10 of the armed forces of the United States which is a federally
1 11 chartered corporation, dedicates the net receipts of a game of
1 12 skill, game of chance, or raffle as provided in section 99B.7,
1 13 is exempt from federal income taxes under section 501(c)(19)
1 14 of the Internal Revenue Code as defined in section 422.3, has
1 15 an active membership of not less than twelve persons, and does
1 16 not have a self-perpetuating governing body and officers.
1 17 2. Notwithstanding any provision of this chapter to the
1 18 contrary, card game tournaments lawfully may be conducted by a
1 19 qualified organization representing veterans if all of the
1 20 following are complied with:
1 21 a. The organization conducting the card game tournament
1 22 has been issued a license pursuant to subsection 4 and
1 23 prominently displays that license in the playing area of the
1 24 card game tournament.
1 25 b. The card games to be conducted during a card game
1 26 tournament, including the rules of each card game and how
1 27 winners are determined, shall be displayed prominently in the
1 28 playing area of the card game tournament. Each card game
1 29 shall be conducted in a fair and honest manner and shall not
1 30 be operated on a build-up or pyramid basis. Every participant
1 31 in a card game tournament must be given the same chances of
1 32 winning the tournament and shall not be allowed any second
1 33 chance entries or multiple entries in the card game
1 34 tournament.
1 35 c. Participation in a card game tournament conducted by a
2 1 qualified organization representing veterans shall only be
2 2 open to members of the qualified organization representing
2 3 veterans and guests of members of the qualified organization
2 4 participating in the tournament. The cost to participate in a
2 5 card game tournament shall be limited to one hundred dollars
2 6 and shall be the same for every participant in the card game
2 7 tournament. Participants in a card game tournament shall be
2 8 at least twenty-one years of age.
2 9 d. Cash or merchandise prizes may be awarded during a card
2 10 game tournament and shall not exceed one thousand dollars and
2 11 no participant shall win more than a total of five hundred
2 12 dollars. A qualified organization representing veterans shall
2 13 distribute amounts awarded as prizes on the day they are won
2 14 and merchandise prizes shall not be repurchased. An
2 15 organization conducting a card game tournament shall only
2 16 display prizes in the playing area of the card game tournament
2 17 that can be won.
2 18 e. The qualified organization representing veterans shall

2 19 conduct each card game tournament and any card game conducted
2 20 during the tournament and shall not contract with or permit
2 21 another person to conduct the card game tournament or any card
2 22 game during the tournament.
2 23 f. No person receives or has any fixed or contingent right
2 24 to receive, directly or indirectly, any profit, remuneration,
2 25 or compensation from or related to a game in a card game
2 26 tournament, except any amount which the person may win as a
2 27 participant on the same basis as the other participants.
2 28 g. A qualified organization representing veterans licensed
2 29 under this section shall not hold more than one card game
2 30 tournament per week. Card game tournaments held under an
2 31 annual game night license shall not count toward the limit of
2 32 one card game tournament per week for a license holder. A
2 33 qualified organization representing veterans shall be allowed
2 34 to hold only one card game tournament during any
2 35 twenty-four-hour period.
3 1 h. At the conclusion of each card game tournament, the
3 2 person conducting the card game tournament shall announce the
3 3 gross receipts received, the total amount of money withheld
3 4 for expenses, and the amount withheld for state taxes.
3 5 i. The person conducting the card game tournament does
3 6 none of the following:
3 7 (1) Hold, currently, another license issued under this
3 8 section.
3 9 (2) Own or control, directly or indirectly, any class of
3 10 stock of another person who has been issued a license to
3 11 conduct games under this section.
3 12 (3) Have, directly or indirectly, an interest in the
3 13 ownership or profits of another person who has been issued a
3 14 license to conduct games under this section.
3 15 3. The qualified organization representing veterans
3 16 licensed to hold card game tournaments under this section
3 17 shall keep a journal of all dates of events, amount of gross
3 18 receipts, amount given out as prizes, expenses, amount
3 19 collected for taxes, and the amount collected as revenue.
3 20 a. The amount collected by the qualified organization
3 21 representing veterans as revenue shall be no less than ten
3 22 percent of the gross receipts collected from each event.
3 23 b. Each qualified organization representing veterans shall
3 24 withhold that portion of the gross receipts subject to
3 25 taxation pursuant to section 423.2, subsection 4, which shall
3 26 be kept in a separate account and sent to the state along with
3 27 the organization's quarterly report.
3 28 c. A qualified organization representing veterans licensed
3 29 to conduct card game tournaments is allowed to withhold no
3 30 more than five percent of the gross receipts from each card
3 31 game tournament for qualified expenses. Qualified expenses
3 32 include but are not limited to the purchase of supplies and
3 33 materials used in conducting card games. Any money collected
3 34 for expenses and not used by the end of the calendar year
3 35 shall be donated for educational, civic, public, charitable,
4 1 patriotic, or religious uses as described in section 99B.7,
4 2 subsection 3, paragraph "b". The qualified organization
4 3 representing veterans shall attach a receipt for any donation
4 4 made to the fourth quarter quarterly report required to be
4 5 submitted pursuant to section 99B.2.
4 6 d. Each qualified organization representing veterans
4 7 licensed under this section shall make recordkeeping and all
4 8 deposit receipts available as provided in section 99B.2,
4 9 subsection 2.
4 10 4. An organization wishing to conduct card game
4 11 tournaments pursuant to this section as a qualified
4 12 organization representing veterans shall submit an application
4 13 and annual license fee of one hundred dollars to the
4 14 department.
4 15 Sec. 2. Section 99B.9, subsection 1, unnumbered paragraph
4 16 1, Code 2007, is amended to read as follows:
4 17 Except as otherwise permitted by section 99B.3, 99B.5,
4 18 99B.6, 99B.7, 99B.7B, 99B.8, 99B.11, or 99B.12A, it is
4 19 unlawful to permit gambling on any premises owned, leased,
4 20 rented, or otherwise occupied by a person other than a
4 21 government, governmental agency, or governmental subdivision,
4 22 unless all of the following are complied with:
4 23 Sec. 3. Section 99B.12, subsection 1, unnumbered paragraph
4 24 1, Code 2007, is amended to read as follows:
4 25 Except in instances where because of the location of the
4 26 game or the circumstances of the game section 99B.3, section
4 27 99B.5, section 99B.6, section 99B.7, section 99B.7B, section
4 28 99B.8, or section 99B.9 is applicable, individuals may
4 29 participate in gambling specified in subsection 2, but only if

4 30 all of the following are complied with:
4 31 Sec. 4. Section 423.2, subsection 4, Code 2007, is amended
4 32 to read as follows:
4 33 4. A tax of five percent is imposed upon the sales price
4 34 derived from the operation of all forms of amusement devices
4 35 and games of skill, games of chance, raffles, and bingo games
5 1 as defined in chapter 99B, and card game tournaments conducted
5 2 under section 99B.7B, that are operated or conducted within
5 3 the state, the tax to be collected from the operator in the
5 4 same manner as for the collection of taxes upon the sales
5 5 price of tickets or admission as provided in this section.
5 6 Nothing in this subsection shall legalize any games of skill
5 7 or chance or slot-operated devices which are now prohibited by
5 8 law.
5 9 The tax imposed under this subsection covers the total
5 10 amount from the operation of games of skill, games of chance,
5 11 raffles, and bingo games as defined in chapter 99B, card game
5 12 tournaments conducted under section 99B.7B, and musical
5 13 devices, weighing machines, shooting galleries, billiard and
5 14 pool tables, bowling alleys, pinball machines, slot-operated
5 15 devices selling merchandise not subject to the general sales
5 16 taxes and on the total amount from devices or systems where
5 17 prizes are in any manner awarded to patrons and upon the
5 18 receipts from fees charged for participation in any game or
5 19 other form of amusement, and generally upon the sales price
5 20 from any source of amusement operated for profit, not
5 21 specified in this section, and upon the sales price from which
5 22 tax is not collected for tickets or admission, but tax shall
5 23 not be imposed upon any activity exempt from sales tax under
5 24 section 423.3, subsection 78. Every person receiving any
5 25 sales price from the sources described in this section is
5 26 subject to all provisions of this subchapter relating to
5 27 retail sales tax and other provisions of this chapter as
5 28 applicable.

5 29 EXPLANATION

5 30 This bill provides for the operation of card game
5 31 tournaments by qualified organizations representing veterans.
5 32 The bill establishes new Code section 99B.7B, providing for
5 33 card game tournaments conducted by a qualified organization
5 34 representing veterans. The bill defines "card game" to mean
5 35 only poker, pinochle, pitch, gin rummy, bridge, euchre,
6 1 hearts, or cribbage. The bill provides that only qualified
6 2 organizations representing veterans can conduct a card game
6 3 tournament and provides for a \$100 annual license fee. The
6 4 bill requires the organization to display the card games to be
6 5 conducted during a tournament, including the rules and manner
6 6 of determining winners for each game. The bill provides that
6 7 participation in a tournament shall be open to members and
6 8 guests of the qualified organization and the cost to
6 9 participate shall not be more than \$100. A person under age
6 10 21 cannot participate.
6 11 The bill provides that cash or merchandise of up to \$1,000
6 12 can be awarded at a tournament and no participant shall win
6 13 more than a total of \$500. The bill also provides that an
6 14 organization holding a license can hold no more than one
6 15 tournament a week and only one tournament can be conducted by
6 16 a qualified organization in any 24-hour period. Card game
6 17 tournaments held under an annual game night license shall not
6 18 count toward the number of tournaments allowed. The bill also
6 19 provides that the qualified organization licensed to conduct
6 20 card game tournaments shall keep records of the dates of
6 21 events, the amount of gross receipts, the amount of prizes
6 22 awarded, expenses, amount collected for taxes, and revenue
6 23 collected for conducting card game tournaments. The bill
6 24 requires qualified organizations to collect at least 10
6 25 percent of gross receipts collected from each event as revenue
6 26 and to withhold no more than 5 percent of gross receipts for
6 27 expenses incurred in holding card game tournaments. Of the
6 28 amount withheld for expenses, any amounts collected but unused
6 29 for expenses by the end of a calendar year shall be donated
6 30 for charitable purposes. Any amounts donated shall be
6 31 indicated on the quarterly reports required to be submitted to
6 32 the department of inspection and appeals pursuant to Code
6 33 section 99B.2.
6 34 The bill further amends Code section 423.2, concerning
6 35 sales taxes, to specifically provide that sales taxes shall be
7 1 imposed on card game tournaments in the same manner as for
7 2 other games as defined in Code chapter 99B.
7 3 LSB 1815HV 82
7 4 ec:nh/es/88